

A ROUNDTABLE DISCUSSION

WEALTH MANAGEMENT:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INVESTING

>>Environmental, social and governance (ESG) investing has skyrocketed in popularity among investors looking to extend their personal values and priorities to their investments. Assets being managed under ESG criteria are currently estimated to exceed \$20 trillion, comprising about a quarter of all professionally managed assets worldwide.

**ERIC MADDIX**

Partner
Chicago Capital, LLC
>>emaddix@chi-cap.com
>>312-429-2334

ERIC MADDIX is a partner with **Chicago Capital**, which he joined in 2018 after working in the investment business since 1987. He previously held portfolio management and research roles with William Blair and Stein Roe & Farnham, where he co-managed the Stein Roe Capital Opportunities mutual fund. He is a member of the Springboard Foundation, a nonprofit primarily supporting afterschool education programs in Chicago. He holds a bachelor's degree in business from Iowa State University and an MBA from University of Chicago Booth School of Business.

What's driving the growing interest in ESG investing?

Eric Maddix: There's a growing recognition that business is about more than simply turning a profit. Successful businesses must be very focused and committed to their customers, workforce and owners. In today's marketplace, priorities have broadened to include many aspects of corporate citizenship, including how firms approach environmental, social, governance and other issues.

How does ESG investing compare to socially responsible investing and impact investing?

Maddix: ESG has expanded socially responsible investing to include environmental and governance issues. In many ways, SRI and impact investing were early versions of ESG investing. While impact investing and SRI may have been more focused on specific issues, ESG investing has broadened the discussion and become more accessible for most investors. We believe company managers will continue to evolve to meet the needs of the marketplace and investors will continue to have an impact by focusing on corporate culture. By focusing on personal values, financial advisers can help each client align

their investments with their priorities.

What's the most common question you're hearing about ESG investing?

Maddix: Clients often ask, "How can I make a difference?" We believe investments should be customized to fit the investor, not the other way around. Our advice to clients is to act on issues that are important to them and choose an advisor who will support those interests through investing.

What's the biggest misconception about ESG investing?

Maddix: We believe there's no single definition of ESG investing, nor static definition of success. ESG investing should be defined by each individual investor and reflect issues that are important to them. As investor preferences change, their view of ESG investments will likely evolve. We don't believe one-size-fits-all. As an example, privacy concerns have become more prominent with many clients, due to the advent of social media—while other clients may be more focused on inclusion, the environment or other priorities. Our job is to help each client achieve what's important to them.

Please give a few examples of investments that most people might not think of as being in an ESG portfolio.

Maddix: Kornit Digital is an international digital printing company that uses bio-degradable, water-soluble ink. Digital printing enables on-demand production, resulting in less waste compared to traditional, long-production runs. Another example is home improvement retailer Lowe's, which has been setting and beating goals for carbon footprint, energy efficiency and product sustainability.

How is ESG investing changing how public companies are operating?

Maddix: Investor preferences are shaped over time, just as consumer preferences shift. Successful public companies are addressing the changing interests of stakeholders. Recent corporate trends have included local sourcing, self-service, environmental impact and inclusion. Companies that take the lead on important issues should continue to thrive.

What types of investors are most suited to ESG portfolios?

Maddix: We believe all investors should be comfortable with

their investments, and feel strongly that investment portfolios should be constructed to fit the investor, not the other way around. Some of our clients have investments in companies that are meaningful to them, such as companies that reflect their values or have a connection to family, friends or community, while others avoid investments that conflict with their values.

How do you recommend investors begin adding an ESG component to their portfolios?

Maddix: The best way to begin is by having an open conversation with your financial advisor about your values and the types of companies you want to support.

What draws you personally to ESG investing?

Maddix: Having had serious health issues in my immediate family, I have a personal interest in the healthcare industry and companies making responsible choices to take care of our elder population. We invite our clients to share what's meaningful to them, then our team makes every effort to reflect those values in the investments we make on their behalf. When our clients can invest in companies that reflect their values, and continue to grow their assets, everyone wins.

